

香港期貨交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

HONG KONG FUTURES EXCHANGE LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

## 通告 CIRCULAR

Subject: Incentive Programs of Mini USD/CNH Futures Contract

Enquiry: Ms. Iris Hui (Email: [IrisHui@hkex.com.hk](mailto:IrisHui@hkex.com.hk); Tel: 2840-3726)

Mr. Ray Yen (Email: [RayYen@hkex.com.hk](mailto:RayYen@hkex.com.hk); Tel: 2211-6122)

Reference is made to the circular dated 21 January 2021 (Ref. No.: [MKD/FIC/001/21](#)) regarding the introduction of the Mini USD/CNH Futures Contract (“the Contract”) and the circular dated 16 March 2021 (Ref. No.: [MKS/FIC/003/21](#)) regarding Launch of Mini USD/CNH Futures Contract on 26 April 2021. Hong Kong Futures Exchange Limited (“the Exchange” or “HKFE”) is pleased to announce the incentive programs for the Contract that will commence trading from T session on Monday, 26 April 2021 (“the Commencement Date”).

### Incentive Programs

The following incentive programs will be introduced for the Contract upon its trading commencement:

Programs	Effective period
1. Bundled Liquidity Providing Incentive Program	From the Commencement Date, i.e. 26 April 2021 (T session) to 31 December 2021 <sup>1</sup> .
2. Cash Incentive Program	From the Commencement Date, i.e. 26 April 2021 (T session) to 31 December 2021 <sup>1</sup> .
3. Exchange Trading Fee Waiver	From the Commencement Date, i.e. 26 April 2021 (T session) to 30 July 2021 (T session).
4. Active Trader Program and Joint Promotional Program	From the Commencement Date, i.e. 26 April 2021 (T session) to 31 December 2021 <sup>1</sup> .

<sup>1</sup> There shall be no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 8:30 a.m. – 12:30 p.m.

## 1. Bundled Liquidity Providing Incentive Program

Further to the circular dated 3 December 2020 (Ref. No.: [MKD/FIC/007/20](#)), regarding the Bundled Liquidity Providing Incentive Program for Currency Derivatives Products in 2021 (“the Bundled Program”), the Exchange will include the Contract into the scope of the Eligible Products<sup>2</sup> and terminate the Bundled Program on 31 December 2021.

The Bundled Program is designed for market participants to support the liquidity development of the Contract through participation either as a Liquidity Provider (“LP”) or as a Proprietary Trader (“PT”). Only participation as a PT will be available for the Contract. A PT is defined as an Exchange Participant (“EP”) trading through its House Account or any entity or individual represented by an EP trading through an Individual Client Account<sup>3</sup> and commits to meeting the minimum monthly clearing volume in the Eligible Products assigned.

For the avoidance of doubt, the Bundled Program, Cash Incentive Program are mutually exclusive, and the LPs and PTs who participate in one of the programs will not be allowed to participate in the other programs for the same products and in the same trading session.

### *Incentives*

Upon fulfilment of its obligations set forth in the Attachment I, PTs of the Contract will be entitled to the following fee rebates (up to a maximum amount per month):

- exchange trading fees in Hang Seng Index Futures (“HSIF”) and Hang Seng China Enterprises Index Futures (“HSCEIF”);
- market data (securities/derivatives) fee; and
- hosting services fee.

In addition, each PT Type 1a and Type 1b will be granted a waiver for OMnet Application Programming Interface (“OAPI”) sub-licence fees for up to a maximum amount per month.

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<sup>2</sup> The current scope includes RMB Currency Futures Basket, namely, AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures; USD/CNH Futures and Options, and INR/USD Futures and INR/CNH Futures contracts.

<sup>3</sup> Or other account as assigned by the Exchange.

Category	Maximum incentives per month per trading session (HKD)			
	Combinations of:			
	HSIF/ HSCEIF Exchange Trading Fee Rebate	Market Data Fee Rebate <sup>4</sup> (Derivatives/ Securities)	Hosting Services Fee Rebate	No. of OAPI Sub-licence Fee Waiver <sup>5</sup>
Type of PT				
Type 1a	Up to \$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$20,800 (i.e. 8 OAPIs)
Type 1b	Up to \$70,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$15,600 (i.e. 6 OAPIs)
Type 2	Up to \$40,000 in total			N/A
Type 3	Up to \$20,000 in total			N/A
Type 4	Up to \$10,000 in total			N/A
Type 5	Up to \$5,000 in total			N/A
Type 6	Up to \$2,500 in total			N/A

For the avoidance of doubt, the average price trades performed by PTs should be excluded from the monthly clearing volume commitment.

Details of Exchange trading fee rebate are as follows:

Product	HSIF*	HSCEIF*
Exchange trading fee rebate per Contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)

Notes: \* HSIF / HSCEIF contracts that have been used by HSI / HSCEI options market makers in claiming trading fee discount are not entitled to further trading fee rebate.

A PT can apply to participate in one or more Eligible Products or different categories of PTs Types, but the aggregate incentives to which a PT is entitled will be subject to an overall cap as set up in the table above. The Exchange has the absolute discretion to change the overall cap and quota allocation between the products.

### Quota

The PTs quota is specified in Attachment I. As the PT quota is limited<sup>6</sup>, the Exchange may allocate and / or re-assign the quota depending on the Exchange's business plan at the time of selection and

<sup>4</sup> Market data fee rebate includes relevant licence fees, connection fees and usage fees.

<sup>5</sup> Currently HK\$2,600 per month for each OAPI with 5 transactions per second (TPS).

<sup>6</sup> The quota is indicative and could be revised subject to the Exchange's plan or budget.

the applicant's indication of commitment. If the same level of commitment is indicated by more than one applicant, the Exchange will consider the applicants' past performance.

## 2. Cash Incentive Program

Further to the circular dated 4 December 2020 (Ref. No.: [MKD/FIC/008/20](#)), regarding the Cash Incentive Program for trading USD/CNH Futures contract and INR/USD Futures contract in 2021 ("the Cash Program"), the Exchange will include the Contract into the scope of the Eligible Products and will terminate the Cash Program on 31 December 2021.

The Cash Program is designed to attract more LPs to the market and acts as an incentive for strategic products, by allowing LPs to receive a cash stipend for liquidity providing activities on its derivative products upon fulfilment of their obligations.

For the avoidance of doubt, the Cash Program, Bundled Program are mutually exclusive and the LPs who participate in one of the programs will not be allowed to participate in the other programs for the same products and in the same trading session.

An LP is defined as a person performing the liquidity providing activities (i.e. an EP or an entity or individual who has entered into a liquidity providing arrangement with an EP) and commits to meet the quoting obligations for the minimum number of the contracts as assigned by the Exchange.

### *Incentives and Obligations*

Upon fulfilment of its obligations set forth in Attachment II, each LP will be offered cash incentive set out in the table below.

LP Types	Cash incentive per month (HKD)
Type 2a LP	\$80,000
Type 2b LP	\$3,500 x number of days with fulfilled obligations

LP Type 2a and Type 2b will be entitled to nil Exchange trading fees on the transactions effected in the Contract. The nil Exchange trading fee shall only apply to the trades conducted by the LP on and after the Business Day in which the appointment comes into effect.

For LP Type 2a, where the appointment in respect of the Contract commences later than the first Business Day of a calendar month, the amount of cash incentive in the first month of its appointment will be pro-rated based on the number of Business Days in which the appointment is in effect over the total number of Business Days in that month.

### *Quota*

The LPs quota is specified in Attachment II. LP applicants can participate in one or more Eligible Product of the Cash Program. However, as the LPs quota is limited<sup>7</sup>, the Exchange may allocate and / or re-assign the quota depending on the Exchange's business plan at the time of selection and the applicant's indication of commitment.

### 3. Exchange Trading Fee Waiver

The Exchange trading fee of the Contract will be waived for all EPs and their clients for the period from the Commencement Date, i.e. 26 April 2021 (T session) to 30 July 2021 (T session). EPs should notify their staff and clients about the Exchange trading fee waiver.

### 4. Active Trader Program and Joint Promotional Program

Further to the circular dated 22 December 2020 (Ref. No.: [MKD/FIC/009/20](#)), regarding the Active Trader ("AT") Program and Joint Promotional ("JP") Program for Currency Futures and Options Contracts in 2021, the Exchange will include the Contract into the scope of the Eligible Products and will terminate the AT Program and JP Program on 31 December 2021.

#### *Active Trader Program*

The Contract will be included in the existing CNH suite of the AT Program<sup>8</sup>, the details of which are set forth below:

<b>Program Period:</b>	26 April 2021 (T Session) to 31 December 2021 <sup>1</sup>
<b>Eligible Participants:</b>	Existing and new ATs
<b>CNH Suite:</b>	USD/CNH Futures, Mini USD/CNH Futures and USD/CNH Options contracts
<b>Requirements and</b>	Exchange trading fee rebate based on the specified thresholds of

<sup>7</sup> The quota is indicative and could be revised subject to the Exchange's plan or budget.

<sup>8</sup> In addition to the CNH suite, the AT program also includes INR/USD Futures and INR/CNH Futures contracts.

**Incentives:** combined monthly clearing volume of CNH suite as set forth below

<b>CNH Suite</b>	USD/CNH Futures, Mini USD/CNH Futures <sup>9</sup> and USD/CNH Options contracts
<b>Existing ATs</b>	
Combined monthly clearing volume thresholds (number of contracts)	Percentage of Exchange trading fee rebate <sup>10</sup>
400 – 1,999	25%
2,000 - 9,999	50%
10,000 - 29,999	75%
30,000 or above	100%
Volume weighting for calculating monthly aggregate clearing volume	<ul style="list-style-type: none"> <li>▪ USD/CNH Futures and USD/CNH Options: 1 x number of contracts</li> <li>▪ Mini USD/CNH Futures: 0.2 x number of contracts</li> </ul>
<b>New ATs</b>	
Any number of contracts cleared during the first four consecutive calendar months after enrolling in the AT Program is entitled to 100% Exchange trading fee rebate	

An AT can be an EP trading through its House Account, any direct client or affiliate represented by an EP trading through Individual Client Accounts and other accounts as assigned by the Exchange. In determining whether an AT meets the specified combined monthly clearing volume thresholds, the Exchange will measure the AT's volume of the CNH suite based on the number of contracts cleared in the House Account of the EP, the Individual Client Accounts assigned only to that AT trading through the relevant EP and other accounts as assigned by the Exchange. The trading fee rebate will be credited to the relevant CCMS collateral account of the Clearing Participant for the EP before the end of the following calendar month.

The existing ATs will be automatically enrolled in the AT Program, unless the existing ATs notify the Exchange that they do not wish to be enrolled. The Exchange reserves the right to terminate the appointment of any existing AT who fails to clear at least 400 contracts for the CNH suite for two consecutive calendar months.

<sup>9</sup> While no Exchange trading fee rebate on trading Mini USD/CNH Futures contract will be offered during the Exchange trading fee holiday, i.e. from the Commencement Date on 26 April 2021 (T session) to 30 July 2021 (T session), the traded volume of the Mini USD/CNH Futures contract will be counted towards calculation of the combined monthly clearing volume of the CNH suite,

<sup>10</sup> Exchange trading fee per contract of USD/CNH Futures and Options is RMB 8, Mini USD/CNH Futures is RMB 1.6.

For the avoidance of doubt, the Market Makers (“MMs”) and LPs for any Currency Futures and Options<sup>11</sup> are eligible to enroll in the AT Program; however, the volume incurred from their market making and / or liquidity providing activities will be excluded from the rebate calculation under the AT Program. EPs are requested to notify their staff and clients about the changes of the trading requirements and extension of the AT Program.

### *Joint Promotional Program*

The Contract will be included in the scope of Eligible Products of the JP Program<sup>12</sup>, which will be terminated on 31 December 2021. Eligible applicants (“EAs”) include EPs, information / system vendors, financial industry associations and media.

The Exchange will select a number of EAs to receive the following support from the Exchange for:

- a. Marketing Activities Cost Sponsorship – A maximum amount of HK\$60,000 will be sponsored for each selected EA to conduct marketing activities outlined in a marketing proposal submitted by the EA;
- b. Promotional Materials – Free copies of printed promotional materials and electronic banners will be provided to the EAs for promoting the Products and distributing the materials during public seminar(s) and marketing event(s); and
- c. Speaker – The Exchange will provide a representative to speak at a public seminar(s) and in-house training organized by the EAs.

The criteria for granting the Marketing Activities Cost Sponsorship to EAs are as follows:

- a. An EA should submit a detailed marketing proposal to HKFE for reviewing; the proposal should specify the target number of attendees / participants, venue and date;
- b. The Products must be the primary theme of marketing activities;
- c. The marketing activities should be organized in 2021; and
- d. The actual expenses of each marketing item should be outlined in the marketing proposal and declared by a Responsible Officer of the EP / senior management<sup>13</sup> of the EA.

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<sup>11</sup> Currency Futures and Options contracts include USD/CNH Futures, Mini USD/CNH Futures, USD/CNH Options, EUR/CNH Futures, JPY/CNH Futures, AUD/CNH Futures, CNH/USD Futures, INR/CNH Futures and INR/USD Futures contracts.

<sup>12</sup> The current scope includes AUD/CNH Futures, CNH/USD Futures, EUR/CNH Futures, JPY/CNH Futures, INR/CNH Futures, INR/USD Futures, USD/CNH Futures and Options contracts.

<sup>13</sup> A senior manager, who has authorization to approve expenses of HK\$ 60,000 or above

**Application Procedure**

The aforementioned incentive programs of the Mini USD/CNH Futures contract are now open for application and interested applicants should contact the aforementioned contacts for application or enquiry.

**Julien Martin**

**Head**

**FIC Development**

**Markets Division**

*This circular has been prepared in English with a Chinese translation. If there is any inconsistency between the two versions, the English version shall prevail.*



**Bundled Liquidity Providing Program PT Obligations**

The monthly clearing volume commitments<sup>14</sup> and applicable PT types for the USD/CNH Futures contract and Aggregate USD/CNH Futures and Mini USD/CNH Futures contracts are set out as follows:

	USD/CNH Futures	Aggregate USD/CNH Futures and Mini USD/CNH Futures
Period	From 4 January 2021 (T session) to 31 December 2021	From 26 April 2021 (T session) to 31 December 2021 <sup>1</sup>
Quota	14 <sup>15</sup>	8
Incentives	1. Rebate of i) HSIF and HSCEIF Exchange trading fee, ii) market data (derivatives/securities) fee, iii) hosting service fee; and 2. Waiver of OAPI sub licence fee for Type 1a and Type 1b	
Type 1a	12,000 <sup>16</sup>	14,000
Type 1b	10,000	12,000
Type 2	8,000	8,000
Type 3	6,000	6,000
Type 4	3,000	3,000
Type 5	2,000	2,000
Type 6	1,000	1,000
Remarks	<ul style="list-style-type: none"> <li>• LPs and MMs of the USD/CNH Futures contract are eligible to become PTs of the Aggregate USD/CNH Futures and Mini USD/USD Futures, but their trading volume incurred from their market making or liquidity providing activity will be excluded from the calculation of PT's monthly clearing volume</li> <li>• LPs and MMs of the Mini USD/CNH Futures contract are not eligible to become PTs of Aggregate USD/CNH Futures and Mini USD/CNH Futures</li> </ul>	

For the avoidance of doubt, the average price trades performed by PTs should be excluded from the monthly clearing volume commitment.

<sup>14</sup> The Exchange will determine a PT's monthly clearing volume solely based on the clearing volume in the House Account of the EP, the Individual Client Account of the client trading through the EP or other accounts as assigned by the Exchange.

<sup>15</sup> The quota is for USD/CNH Futures and Options contracts

<sup>16</sup> PT Type 1a is added to the existing PT types of USD/CNH futures.

**Cash Incentives Program LP Obligations**

The minimum Continuous Quotes obligations for the Mini USD/CNH Futures and LP Types are set out as follows:

<b>Period</b>	26 April 2021 (T session) until 31 December 2021 <sup>1</sup>	
<b>LP Type</b>	Type 2a	Type 2b
<b>Quota</b>	5	
<b>Cash Incentives (HKD)</b>	\$80,000	\$3,500 x number of days with fulfilled obligations <sup>17</sup>
<b>Trading Requirement</b>	Continuous Quotes	
<b>Contract Months</b>	Spot and 1 <sup>st</sup> quarter	Spot and 1 <sup>st</sup> quarter
<b>Max. Bid / Offer Spread (ticks)</b>	<u>T session:</u> • spot: 6 • 1 <sup>st</sup> quarter: 10  <u>T+1 session:</u> • spot: 9 • 1 <sup>st</sup> quarter: 12	<u>T session:</u> • spot: 6 • 1 <sup>st</sup> quarter: 10  <u>T+1 session:</u> • spot: 9 • 1 <sup>st</sup> quarter: 12
<b>Quote Size (number of contracts)</b>	25	
<b>% of Trading Hours</b>	50% of T session <u>or</u> 50% of T+1 session <sup>18</sup>	50% of T session <u>or</u> 50% of T+1 session <sup>18</sup>
<b>OAPI Waiver</b>	10	10 <sup>17</sup>
<b>Exchange Trading Fee Discount</b>	100%	100%

<sup>17</sup> The number of days with fulfilled obligations in a calendar month should be at least 5 days

<sup>18</sup> LP should state its choice to provide CQ during 50% of either T session or T+1 session for applying a quota